

# RISK MANAGEMENT FUND

The Risk Management Fund accounts for all financial activities related to workers' compensation, automobile liability, general liability, employment practices liability, public officials liability, law enforcement liability, property, and automobile physical damage. Revenues are based on a cost allocation system that reflects each division's exposure to risk (number of employees, percentage of payroll, and number of vehicles) and divisional claims experience over the last five years.

The City self-funds all workers' compensation losses up to \$350,000 per occurrence, maintains a self-insured retention of \$100,000 for general liability, employment practices liability, law enforcement liability, and public officials liability and a \$25,000 deductible for property losses. Program expenses and reserve funding requirements are allocated to the operating agencies. An actuarial report is prepared annually to ensure the adequacy of fund reserves. Oversight is provided by the Risk Manager, who monitors workers' compensation and liability claims and evaluates the adequacy of reserves.

RISK MANAGEMENT FUND				
	2005-06 <u>Actual</u>	2006-07 <u>Actual</u>	2007-08 <u>Budget</u>	2008-09 <u>Budget</u>
<b>REVENUES</b>				
Transfers -				
General Fund	\$ 1,544,847	718,561	1,743,509	1,286,314
Other funds	236,197	110,171	208,857	482,565
Reimbursements	0	563,104	354,376	440,000
<b>TOTAL REVENUES</b>	<b>1,781,044</b>	<b>1,391,836</b>	<b>2,306,742</b>	<b>2,208,879</b>
<b>EXPENSES</b>				
Personnel and operating	108,894	101,422	118,832	114,208
Workers' comp - claims	899,198	934,816	870,944	930,389
Premiums - liability/property	778,749	713,913	848,798	732,086
Claims - liability/property	596,341	366,327	605,468	539,000
<b>TOTAL EXPENSES</b>	<b>2,383,182</b>	<b>2,116,478</b>	<b>2,444,042</b>	<b>2,315,683</b>
<b>Operating Income</b>	<b>(602,138)</b>	<b>(724,642)</b>	<b>(137,300)</b>	<b>(106,804)</b>
Non-operating revenue				
Interest earnings	91,311	161,110	137,300	112,000
<b>Change in net assets</b>	<b>(510,827)</b>	<b>(563,532)</b>	<b>0</b>	<b>5,196</b>
Total net assets beginning of year	1,642,883	1,132,056	568,524	568,524
Total net assets - end of year	\$ 1,132,056	568,524	568,524	573,720
<b>STAFFING</b>				
Risk Manager	1	1	1	1

*(RISK MANAGEMENT FUND CONTINUED)***FY 2008-09 BUDGET HIGHLIGHTS**

The Risk Management Internal Service Fund expense budget decreases 5.25% from the FY 2007-08 Adopted Budget and reflects:

- A \$116,712 decrease in premiums due to the City paying its Pollution Liability insurance in FY 2007-08 in a three-year premium to reduce overall cost.

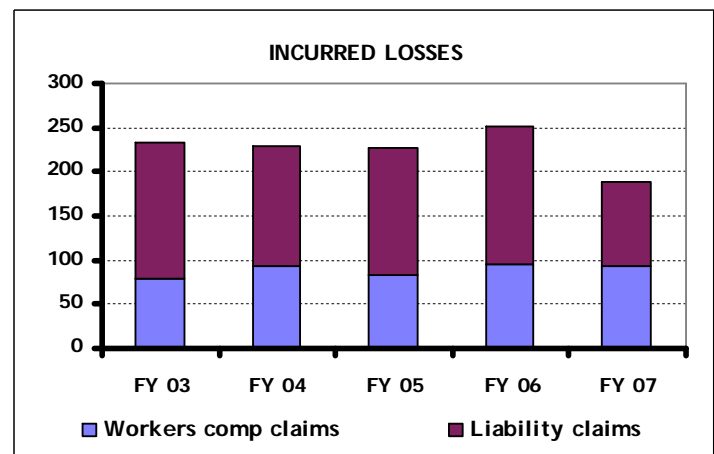
**STRATEGIC INITIATIVES**

Financially Sound City Providing Excellent Services	Ongoing Initiative	FY 08-09 Initiative
Maintain a reserve in the Risk Management Fund that is adequate to fund expected liabilities at a 50% probability level (i.e., funds will be sufficient to cover liabilities five years out of ten).	<input checked="" type="checkbox"/>	
Continue activities to identify hazards, and assess and control risks to meet both regulatory obligations and reduce risk of loss to the City of Greenville.	<input checked="" type="checkbox"/>	
Maintain risk management monitoring to create a culture that promotes awareness and departmental accountability for accidents and injuries.	<input checked="" type="checkbox"/>	

**FUNDING ISSUES**

Uncertainties and fluctuations in insurance cycles impact costs for the Risk Management Fund. Trends are particularly difficult to predict given the cyclical nature of the insurance marketplace.

The City is expecting moderate increases in property premium renewal prices, with neutral to slight increases in casualty premiums due to the marketplace and the City's good loss history under the casualty program for the past several years. Deductibles and self-insured retentions available are expected to be stable.



*Source: Risk Management*

The City is a qualified self-insurer for workers' compensation, and expects to see the excess coverage at relatively stable pricing and retention levels, though the workers' compensation insurance market in South Carolina is chaotic due to Second Injury Fund assessment levels, more claims reaching litigation, and greater than anticipated workers' compensation commission awards along with medical cost inflation.

Claims experience can fluctuate dramatically from year to year for all the self-insured programs which make it difficult to consistently predict the future claims cost. The City contracts with consultants who project claims costs based on actuarial studies. Uncertainties and fluctuations in insurance cycles impact costs for the Risk Management Fund. Trends are particularly difficult to predict given the cyclical nature of the insurance market place.

## (RISK MANAGEMENT FUND CONTINUED)

## SERVICE EFFORTS AND ACCOMPLISHMENTS

		<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>
<b>Input (Resources)</b>						
<b>PREMIUMS</b>						
Workers' Comp Excess	\$	27,026	29,790	36,851	35,139	38,521
General liability		186,861	248,600	158,331	162,542	274,059
Auto liability		76,609	76,737	77,486	64,111	66,735
Public officials		36,589	41,656	42,351	11,975	14,088
Law enforcement		162,142	168,632	172,814	147,486	141,044
Property		<u>202,958</u>	<u>184,931</u>	<u>165,635</u>	<u>179,990</u>	<u>161,237</u>
<b>TOTAL PREMIUMS</b>	<b>\$</b>	<b>692,185</b>	<b>750,346</b>	<b>653,468</b>	<b>601,243</b>	<b>695,684</b>
<b>COVERAGES</b>						
<b>Output (Quantitative)</b>						
Property valuation	\$	200,647,287	207,096,609	220,199,589	214,234,478	251,130,451
Employees covered		861	889	913	883	875
Vehicles covered		454	493	525	531	553
Annual aggregate limits:						
General liability	\$	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Employee practices liability		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Per occurrence limits:						
General liability	\$	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Auto liability	\$	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Self insured retention:						
Workers' Comp	\$	350,000	350,000	350,000	350,000	350,000
General liability	\$	100,000	100,000	100,000	100,000	100,000
Auto liability	\$	100,000	100,000	100,000	100,000	100,000
<b>Outcome (Qualitative)</b>						
Recordable OSHA incidents		75	83	71	89	74
Lost time claims		18	15	15	8	19
Restricted work day claims		18	15	14	22	17
Recordable vehicle accidents		52	49	27	28	20
Workers' comp claims		79	93	84	95	94
Incurred losses	\$	255,100	667,052	672,869	4,570,474	533,143
Liability claims		155	137	143	157	94
Incurred losses	\$	182,621	265,261	223,067	187,986	99,504
Notes:						
Loss information is as of December 31, 2007						
Sources: Risk Management; Comprehensive Annual Financial Reports						